



U.S. Department of Housing and Urban Development

Honolulu Field Office – Region IX  
500 Ala Moana Boulevard, Suite 3A  
Honolulu, Hawaii 96813  
<http://www.hud.gov>  
<http://www.espanol.hud.gov>

CD B6-  
DUE 12/15

NOVEMBER 22 2005

The Honorable Mufi Hannemann  
Mayor  
City and County of Honolulu  
530 South King Street  
Honolulu, HI 96813

Dear Mayor Hannemann:

SUBJECT: Annual Community Assessment (ACA) Report  
Program Year 2004

2005 DEC -1 A 8:46

BUDGET & FISCAL  
BUD & FIS/OIP/ACF  
C & C OF HONOLULU

Enclosed is HUD's ACA Report on the City and County of Honolulu's (City's) performance in Program Year 2004. The report reflects the City's efforts to ensure HUD program compliance. Should the City wish to comment on the ACA report, please provide comments within 30 days of the date of this letter. If the City does not desire to comment on the report or fails to comment within the timeframe identified above, please consider the report final and make it available to the public using your standard notification process.

If you have any questions regarding our comments, please call me at 808-522-8180, extension 264, or Marsha Ito, Community Planning and Development Representative, at the same number, extension 262.

Sincerely,

Mark A. Chandler, Director  
Office of Community Planning  
and Development

Enclosure

cc:

✓Ms. Mary P. Waterhouse (w/enclosure)  
Director  
Department of Budget and Fiscal Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813

Ms. Deborah K. Morikawa (w/enclosure)  
Director  
Department of Community Services  
City and County of Honolulu  
715 South King Street, Suite 311  
Honolulu, HI 96813

# **ANNUAL COMMUNITY ASSESSMENT REPORT**

**City and County of Honolulu**  
**Program Year: July 1, 2004 to June 30, 2005**

**HUD Point of Contact:**

Ms. Marsha E. Ito  
CPD Representative  
Office of Community Planning  
and Development  
HUD Honolulu Field Office  
500 Ala Moana Boulevard, Suite 3A  
Honolulu, HI 96813  
(808) 522-8180, x262

**City Point of Contact:**

Ms. Holly Kawano  
Federal Grants Coordinator  
Department of Budget and Fiscal  
Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813  
(808) 527-5062

## **Introduction**

The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require federal grant recipients receiving federal assistance under the Act to submit an annual performance report disclosing the status of grant activities. The Department of Housing and Urban Development (HUD) is required by 24 CFR 91.525 to determine whether the grant recipient is in compliance with the statutes, and has the continuing capacity to implement and administer the programs for which assistance is received. In accordance with 24 CFR 91.525, HUD's comments below, and the cover letter above, incorporate the Department's assessment of the City and County of Honolulu's (City's) Program Year 2004 performance.

In assessing the City's performance, HUD relied primarily upon the City's Program Year 2004 Consolidated Annual Performance and Evaluation Report (CAPER), technical assistance, on-site monitoring, and communications with the City's federal programs staff. During this period, the City generally met the intent of the Community Planning and Development (CPD) programs, which include, but are not limited to, the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs.

HUD wants to note the improvement in the format and data provided in the City's CAPER in recent years. More complete information is being provided in the report, which better informs citizens about what actions the City has taken and how HUD funds are being expended to benefit low- and moderate-income persons.

## **Significant Performance Conclusions**

In accordance with the CDBG regulations, the timeliness ratio benchmark should be 1.50 sixty days prior to the end of the City's program year. The City's CDBG timeliness ratio was 1.70 as of May 2, 2005. As a result, HUD was required to impose corrective actions on the City's CDBG program in order to assist the City in achieving the 1.50 timeliness standard by the next 60-day test, to be conducted on May 2, 2006. The CDBG Workout Agreement executed between HUD and the City in June 2005 established a minimum monthly expenditure standard to be met each month. In addition, the City agreed to implement new Request for Proposal procedures, shorten the period to process its subrecipient agreements with its non-profits, and reprogram funds not obligated by established deadlines. To further assist with timely program expenditures, the issue of slow-moving projects has also been reviewed and the City is required to either meet deadlines for its long-standing projects or reprogram the funds to other activities.

### **CPD Programs**

#### **CDBG**

The City completed several CDBG activities during Program Year 2004, which included funding affordable housing projects, various public facilities and services, and economic development activities. The City's management of its CDBG program has ensured that low- and moderate-income persons will primarily benefit and receive program assistance.

The City's Consolidated Plan describes four priority concerns to be addressed through the CDBG program. The City's priorities are Affordable Housing, Rental Assistance, Public Facilities and Services, and Economic Development and Planning. The CAPER for Program Year 2004 indicates a funding approach that is inconsistent with the City's Consolidated Plan. HUD notes that the City has directed more of its CDBG funds towards public facilities and services (Priority 3) and away from affordable housing (Priority 1).

As stated above, the City exceeded the timeliness standard as required by the CDBG regulation, on the test date of May 2, 2005. HUD is pleased that the City has focused its efforts on implementing the corrective actions in the CDBG Workout Agreement and is confident that the implemented changes will assist the City in achieving future timeliness requirements.

#### **HOME**

The City is expending its HOME funds toward projects that will assist low- and moderate-income persons. HOME funds are required to be committed within 24 months and expended within 60 months of the grant award. Failure to commit and expend funds within the required time period will result in the de-obligation of the funds. During this period, the City met the commitment requirement before the commitment period ended.

HUD conducted an on-site monitoring review of the City's HOME program in May 2005. The review assessed the City's compliance with the statutory and program requirements of its HOME new construction of rental housing program. More specifically,

HUD's review of the Senior Residence of Kaneohe project consisted of an assessment of the City's oversight and management of the rental housing program, the status of HOME unit designations, review of tenant records for program compliance, and an on-site inspection of the project facility and tenant rental units. Based on HUD's review, the City is generally successful in implementing its HOME new construction of rental housing program to provide affordable housing to its citizens. However, HUD found weaknesses in the designation of HOME units within the project and with the City's oversight responsibility as the administrator of HOME funds. As the City's proposed actions satisfactorily addressed all issues, HUD closed all findings and concerns of the monitoring review.

### **ESG**

The City supported a number of homeless shelters and providers during the program year. The City's support has ensured that the City's homeless are given an opportunity to become self-sufficient. HUD encourages the City to continue its support of its homeless providers.

### **HOPWA**

The City distributes its HOPWA allocation to the Gregory House Programs and Life Foundation who provide rental assistance, emergency rental assistance, and supportive services to individuals with HIV/AIDS. HUD recognizes that the City has assisted more individuals than anticipated and has expended its HOPWA funds timely. HUD encourages the City to continue its successful administration of its HOPWA program.

### **Continuum of Care**

The City continues to develop and strengthen its Continuum of Care program. The City is a participant in the newly established Hawaii Interagency Council on Homelessness, whose goal is to develop a plan to more comprehensively integrate a system of housing and services to assist individuals who are chronically homeless. In addition, the City has amended its rules for the Section 8 rental assistance program to provide a preference for households being assisted under a HUD homeless program and meet specific criteria. This preference will allow homeless persons to transition to the Section 8 rental assistance program, thus freeing up space for persons in need of HUD-assisted homeless programs. During Program Year 2004, the City has addressed its permanent supportive housing programs through the Institute for Human Services' Shelter Plus Care program which will place chronically homeless persons into permanent housing in the community, and the U. S. Veterans Initiative's supportive housing program which will provide permanent housing for chronically homeless veterans. HUD wishes the City and the PIC continued success in implementing actions to end homelessness.

### **Community Empowerment**

As part of its Consolidated Plan, the City developed a Citizen Participation Plan. The Plan is intended to develop ways to involve the public in the development of the Consolidated Plan/Action Plan. Opportunities were provided for citizen participation in the development of the Plan and performance report through public hearings. The City reported that no oral or written comments were received. HUD encourages the City to continue its efforts to foster

public participation and encourage the City to explore additional opportunities to involve the public in its planning process.

### **Management of Funds**

In accordance with the CDBG regulations, the timeliness ratio benchmark should be 1.50 or below, 60 days prior to the end of the City's program year. On the test date of May 2, 2005, the City did not meet the 1.50 timeliness ratio and was required to be put on a workout agreement that established a monthly drawdown schedule for CDBG funds. Due to the hard work of the City's program staff, the City has been able to achieve the monthly timeliness standard for three consecutive months subsequent to the CDBG Workout Agreement. HUD anticipates the City will continue to achieve the timeliness goals as stated in the Agreement and that these efforts will ensure future CDBG funding will not be compromised.

### **Areas for Improvement and Recommendations**

The City needs to continue its efforts to strengthen internal controls and carefully monitor ongoing CDBG and HOME projects to ensure that projects are timely and funds are protected from fraud, waste, and abuse. HUD recommends that the City identify project obstacles and develop plans to address these obstacles in order to strengthen its programs.

### **Fair Housing & Equal Opportunity**

The CAPER was forwarded to Mr. Jelani Madaraka, Lead Equal Opportunity Specialist, HUD Honolulu Field Office, to review for compliance with Fair Housing and Equal Opportunity requirements. He will forward any comments or questions he may have under separate cover.

### **CONCLUSION**

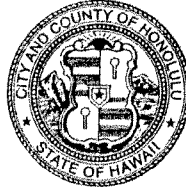
During Program Year 2004, the City has dealt with significant program issues; specifically, the CDBG Workout Agreement and the on-site monitoring review of the City's HOME program. HUD appreciates the hard work and efforts of the City and its program staff in resolving these issues. The program staff is a credit to the City and its CPD programs.

In conclusion, the City is meeting some of the housing and community development needs identified in the Consolidated Plan. The Consolidated Plan provides a vision for the City's future. That vision can become a reality if the City consistently implements its CPD program activities according to the goals and priorities identified in the Plan.

OFFICE OF THE MAYOR  
**CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813  
TELEPHONE: (808) 523-4141 • FAX: (808) 527-5552 • INTERNET: [www.honolulu.gov](http://www.honolulu.gov)

MUFI HANNEMANN  
MAYOR



December 16, 2005

Mr. Mark A. Chandler, Director  
Community Planning and Development  
U. S. Department of Housing  
and Urban Development  
Hawaii State Office  
500 Ala Moana Boulevard, Suite 3A  
Honolulu, Hawaii 96813

Dear Mr. Chandler:

Subject: Annual Community Assessment Report (ACA)  
Program Year 2004

This responds to your letter of November 22, 2005, which transmitted the ACA report to the City. While we are pleased that HUD has approved the submission of the Consolidated Annual Performance and Evaluation Report (CAPER) and has assessed the City as meeting the intent of the Community Planning and Development (CPD) programs, there are some items in the ACA that we wish to comment on.

**CDBG**

Concern was expressed that the City's 2004 CAPER showed a funding approach that was inconsistent with the Consolidated Plan priorities, in particular, affordable housing. The Consolidated Plan priorities for the 2004 CAPER were written in 2000. In the intervening years, the City's top priorities have fluctuated as different issues have moved to the forefront. However, affordable housing continues to be of concern to the City as evidenced by our recently issued Request for Proposals (RFP) for Program Year 2006 where the top priority was housing and the homeless.

Looking forward, we are confident that the new Consolidated Plan more accurately reflects the City's priorities and can be reconciled with our actual performance over the coming years.

Mr. Mark A. Chandler, Director  
December 16, 2005  
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### **COMMUNITY EMPOWERMENT**

Although the City reported that no oral or written comments were received in the development of the Citizen Participation Plan and performance report, the City nevertheless received assistance from the community during discussions of the current Consolidated Plan and Action Plan. During this period Federal Grants Unit staff actively solicited the participation of interested groups and individuals through phone calls and direct mailings.

Additionally, we are considering innovative ways to improve public participation in the planning process, such as the solicitation of comments by broadcast email or faxes.

### **MANAGEMENT OF FUNDS**

Achieving the CDBG timeliness ratio benchmark of 1.50 on May 2, 2006, is a top City priority. To this end we have worked diligently to comply with the terms of the Workout Agreement including meeting monthly spending goals, implementing the new RFP system, quickly executing Subrecipient Agreements (SRAs) and reprogramming lapsing funds.

We have convened a semi-monthly budget review of all activities to measure projected against actual expenditures. Under performing projects are evaluated to determine the reasons for their lack of timeliness, and attempts are made to bring the activity back on budget. In addition, there is an active effort underway to close out long-standing projects.

### **AREAS FOR IMPROVEMENT AND RECOMMENDATIONS**

As recommended, the City continues to strengthen its internal controls and identify project obstacles. Recent changes include amending the HOME Recipient Agreement to include an addendum referencing HOME management and monitoring requirements, and the development and implementation of a new database for all CPD funded projects.

In closing, I would like to thank you for the professional and courteous assistance of both you and your staff in helping us fulfill our obligations under the CPD programs. I look forward to working with you in the years to come.

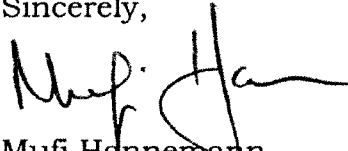


Mr. Mark A. Chandler, Director  
December 16, 2005  
Page Three

If you need additional information or have any questions regarding our comments please call Holly Kawano, Federal Grants Coordinator at 527-5062.

With warm regards and aloha,

Sincerely,

A handwritten signature in black ink, appearing to read "Mufi Han", with a stylized flourish extending from the end.

Mufi Hannemann  
Mayor

cc: Mary Patricia Waterhouse, Director  
Department of Budget and Fiscal Services  
Deborah Kim Morikawa, Director  
Department of Community Services



U.S. Department of Housing and Urban Development

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DECEMBER 30 2005

The Honorable Mufi Hannemann  
Mayor  
City and County of Honolulu  
530 South King Street  
Honolulu, HI 96813

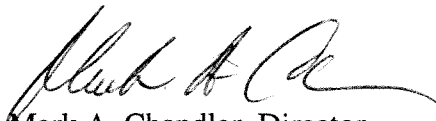
Dear Mayor Hannemann:

SUBJECT: Final Annual Community Assessment Report  
Program Year 2004

HUD has received your letter of December 16, 2005, which provided comments on HUD's Annual Community Assessment (ACA) report. HUD appreciates the clarification and additional information provided by the City on the issues pertaining to its CPD programs. The City may consider the report final and make it available to the public using your standard notification process.

If you have any questions, please call me at 808-522-8180, extension 264, or Marsha Ito, Community Planning and Development Representative, at the same number, extension 262.

Sincerely,

  
Mark A. Chandler, Director  
Office of Community Planning  
and Development

2006 JAN -3 A 8:52

BUDGET & FISCAL SVCS  
BUD & FIS/CIP ADM  
C & C OF HONOLULU

cc:

Ms. Mary P. Waterhouse  
Director  
Department of Budget and Fiscal Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813

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